

THE
COMMERCIAL INTERESTS
OF NEW YORK.
AS RELATED TO OUR SYSTEM OF
TRANSPORTATION.

No. 2.

GENERAL INSTRUCTIONS

TO THE
OFFICERS OF THE
NAVY

TO THE MERCHANTS

OF

NEW YORK CITY.

In the President's last message we find these words:

The attention of Congress will be called at its present session to enterprises for the more certain and cheaper transportation of the constantly increasing surplus of the Western and Southern products to the Atlantic seaboard. The subject is one that will force itself upon the legislative branch of the Government sooner or later, and I suggest that immediate steps be taken to gain all available information to inevitable and just legislation regarding a route to connect the Mississippi valley with the Atlantic.

That production increases more rapidly than the means of transportation in our country, has been demonstrated by past experience.

The rapid growth in population and products of the whole country will require additional facilities, cheaper means for the more bulky articles of commerce to reach tide-water, and that a market will be demanded in the near future is equally demonstratable.

I would therefore suggest either a committee or commission to be authorized to consider this whole question, and to report to Congress at some future day for its better guidance in legislating on the important subject. The railroads of the country have been rapidly extended during the last few years to meet the growing demands of producers, and reflect much credit upon the capitalists and managers engaged in their construction.

In addition to these a project to facilitate commerce by the building of a ship canal around Niagara Falls, on the United States side, which has been agitated for many years, will no doubt be called to your attention this session.

Looking to the great future of the country, and the increasing demands of commerce, it might be well, while on this subject, not only to have examined and reported upon the various practicable routes for connecting the Mississippi with the

side-water of the Atlantic, but the feasibility of an almost continuous land-locked navigation from Maine to the Gulf of Mexico.

And the truth and wisdom of the above has become more evident each day that has elapsed since it was written. In accordance with the above suggestion the Senate appointed a Committee, of which Senator Windom, of Minnesota, is Chairman, to make investigation during the recess and report at next session of Congress. The Committee are now at work, and will probably occupy the entire summer in gathering information and material for their report. In a late report of the Chicago Board of Trade we find the following :

The means and cost of transportation have probably engrossed a larger share of public attention during several years past than any other question of public concern, and the proper remedies for the evils under which this country is laboring do not seem to have as yet been devised. Certainly it is a subject worthy of the most earnest consideration, for upon its issue depends the prosperity of the whole country, especially that portion of it largely devoted to agricultural pursuits. When, as now, it costs the farmer in many cases from one-half to three-quarters of the value of his crop to transport it to market, the question of that cost present itself to his mind, justly, as one of vital importance. Waiving any discussion in this place in regard to the efforts that have been made looking to some degree of control over the railway charges in this and other States, and of the results thus far attained in that direction, the subject of transportation eastward may properly be alluded to. That the rates current for the past year or two must, if possible, and by some means, be reduced, is apparent to all. Enlarged facilities and increased competition by rail will, it is hoped, at an early day, at least partially relieve the West from its embarrassment, and various projects are suggested looking to this end. No entirely new lines from Chicago to the seaboard have been opened for about fifteen years, during which time the Northwest has more than doubled in population and production; true, facilities have been greatly increased, and new competition over parts of the route has been established, but wholly independent lines are now no more numerous than then, nor is there any immediate prospect of relief in this direction.

That the National Government is in duty bound to adopt some measure for the relief of the most important interest in the country seems to be largely conceded, and projects looking to this end are numerous, the friends of each pressing it with a vigor worthy of the importance of the subject. It must be conceded that the most effectual competition is that furnished by an unrestricted and free water route. No better illustration of this can be afforded than the fact that the business of grain carrying from Chicago to Buffalo by lake is profitable at six cents per bushel, while railroad companies claim it is not remunerative from Chicago eastward an equal number of miles, at less than from three to five times that sum. Assuming that there is at least a large difference in the two modes of transportation in favor of that by water, it would then seem that the first duty of the government would be to exert its influence to open up all possible facilities in that direction.

The report of the Detroit Board of Trade says :

The fact is forced upon the attention of all interested in the welfare of the great grain-producing centers, that something must be done immediately to reduce the

cost of moving our leading cereals to the seaboard, and to the great centers of consumption in Europe. Corn at 65 cents and oats at 43@48 cents at the seaboard will not pay the cost of marketing in many parts of Southern Illinois, Iowa and contiguous States, saying, nothing of the cost of production. The great question of cheap transportation demands attention and solution, and cannot longer be deferred.

That the words of the last two lines are true is evident from the fact that the producers of the West have begun organizing on this issue; and, although it is but a few months since the first association known as a "Grange" was formed in Illinois, they have already spread over nine States, with a voting membership of nearly four hundred thousand.

THE CAUSES

which have led to this great movement are the abuses which have grown up with our system of transportation, although, doubtless, the great increase of the producing capacity of the country may have had something to do with it. The abuses, however, form the largest portion of the burden which have borne so heavily upon the producers of the West, and which are now "the old man of the sea" upon the shoulders of the commerce of the whole country. Our commerce is taxed with rates of freight designed to pay dividends upon a tremendous nominal or fictitious capital. There is, nominally, about five thousand millions of capital invested in railways in the United States, and it has been estimated by experts that not more than two thousand millions have been actually expended in building them. Roads have been built upon mortgage bonds, and the stock divided among the projectors without equivalent; and yet the public are taxed to pay both interest upon bonds and dividends upon the stock. In many instances, dividends have been so large that the stock had to be watered lest the enormous dividends should attract attention and awaken public indignation. A favorite method of late, to rob the public, has been to "capitalize surplus earnings;" or, in other words, to first extort money from the public by exorbitant charges, then issue stock representing it, then increase the tariff of freight charges so that dividends may be declared upon it—in fact, making the people pay interest upon the money which had been stolen from them.

Every road has its "Credit Mobilier" fast freight line, the officers of which are also officers of the railway, and grant special privileges to these lines who take the cream of the business and charge what they please. The spectacle is often seen at the West of a shipper

applying at the railway offices for cars and is told they have none, but he can get them across the street at the office of the Blue or Green or Red or White line, as the case may be. It is notorious that the "fast freight lines" are under heavy expenses for offices, agents, and officers, and yet declare tremendous dividends upon their stock. Many railroad men can be pointed out who, five years since, were penniless, and who to-day are millionaires; and this, bear in mind, happens during five years of a general shrinkage in values and retrenchment. Is it any wonder that legitimate business should languish and the labor of producers prove unremunerative when they are overtaxed as above stated?

Thus we see that two distinct sets of stockholders subsist and flourish upon the commerce of the country—the stockholders of the railways and the stockholders of the fast freight lines—both of whom keep up expensive organizations for which the people have to pay. In investigating still further, we find rings in the management of nearly all the roads which charge the companies two or three prices for all their supplies, and with the best managed companies, lavish expenditure and extravagance is the rule rather than the exception.

It is a notorious fact that the greater part of the corruption to be found in our halls of legislation proceeds from the great corporations while seeking legislation opposed to the interests of the public. As an evidence of the great amounts annually worse than squandered in this way, the following extract from the report of the legislative committee, which recently made the investigation into the management of the Erie Railway, may be interesting and instructive:

It is further in evidence that it has been the custom of the managers of the Erie Railway, from year to year in the past, to spend large sums to control elections and to influence legislation. In the year 1868, more than \$1,000,000 was disbursed from the treasury for "extra and legal services." For interesting items see Mr. Watson's testimony, pages 336 and 337.

Mr. Gould, when last on the stand and examined in relation to various vouchers shown him, admitted the payment, during the three years prior to 1872, of large sums to Barber, Tweed, and others, and also large sums drawn by himself, which might have been employed to influence legislation or elections; these amounts were charged in the "India rubber account." The memory of this witness was very defective as to details, and he could only remember large transactions; but could distinctly recall that he had been in the habit of sending money into the numerous districts all over the State, either to control nominations or elections for senators and members of assembly. Considered that, as a rule, such investments paid better than to wait till the men got to Albany, and added the significant remark, in reply to a question, that it would be as impossible to specify the numerous instances, as it would to recall to mind the number of freight cars sent over the Erie road from day to day. (See testimony, p. 556.)

It is not reasonable to suppose that the Erie railway has been alone in the corrupt use of money for the purposes named; but the sudden revolution in the direction of this company has laid bare a chapter in the secret history of railroad management, such as has not been permitted before. It exposes the reckless and prodigal use of money, wrung from the people to purchase the election of the people's representatives, and to bribe them when in office. According to Mr. Gould, his operations extended into four different States. It was his custom to contribute money to influence both nominations and elections.

What the Erie has done, other great corporations are doubtless doing from year to year. We have here, simply an acknowledgment of the fact. Combined, as they are, the power of the great moneyed corporations of this country are a standing menace to the liberties of the people.

The railroad lobby flaunts its ill-gotten gains in the faces of our legislators, and in all our politics the debasing effect of its influence is felt.

The report further says :

This vast interest has grown up mostly within the last twenty-five years. And the railroad system, in its material aspects, is, to-day, a proud monument to the industry, enterprise and progress of the country and of the age, and should receive generous treatment. But in this free growth there is danger. Restrictions which seemed ample when these enterprises were in their infancy, and when the country was struggling for internal development, are now quite inadequate. At the time of the formation of our governments, State and national, and for many years afterward, the water routes were the great channels of internal commerce; no one dreamed that they could ever be controlled by a few men. But railroads have revolutionized traffic; and the danger that was not then imagined is now an existing calamity. These franchises, which were granted to subserve public uses, and to which private interests were compelled to yield, have been, in many cases, perverted to speculative purposes, and the establishment of practical and grinding monopolies, reducing to a moiety the income of the producer, and increasing to exorbitance the prices of the necessities of life to the consumer.

Corporate wealth has gone on increasing to an alarming extent, vast private fortunes have been accumulated by the men who control and operate our railways, and these advantages they are not quick to relinquish. The business interests of the country are demoralized by the mania of stock gambling rendered hazardous by the constant watering of stocks, by which a fictitious value is imparted to railroad securities, which would otherwise be stable, and traffic is hence unduly taxed to secure them a value. Another evil is the indiscriminate bonding of towns and municipalities for railroad construction. Withal come rivalries and the continual reaching out for additional advantages through legislation.

The evil is deeply seated, and no superficial remedy will be adequate for its correction. No law that the committee can recommend at this late day of the session will reach the entire case, but they will take the liberty to suggest that, in their opinion, the relief will be found in some enlightened system of general railway legislation, regulating the rate of transportation, prohibiting the issue of fictitious stocks, and punishing with heavy penalties the misappropriation of the funds of the company by the managers thereof, whether to their personal uses or to corruptly influence legislation affecting their interests.

There should also be enacted some uniform system for the keeping of railroad accounts and the manner of declaring dividends, so that, while on the one hand the

stockholder may share in the actual profits, on the other, the obligations of companies shall not be increased from year to year by loans to make good fictitious statements of net earnings. On one subject, at least, your committee believe that legislation should be had without delay. There is now under existing statute absolutely no security to stockholders in regard to the leasing of one road by another. A majority of the board of directors may, without consent of their stockholders, lease for such a period of years, and upon such terms as would be equivalent to a consolidation of interests.

Your committee believe that some proper restriction is necessary not only to protect the public, but the railroad interest itself, and the law should apply not to one company alone, but should be general in its scope. They have therefore prepared, and presented in connection with their report, a bill regulating leases of connecting roads, and prohibiting the leasing of competing parallel lines.

In conclusion, your committee have endeavored to discharge the duty delegated to them so far as time and circumstance would allow, with a desire to deal justly by all parties, and herewith submit the evidence taken, with their conclusions thereon, respectively for the consideration of the House.

ISAAC H. BABCOCK,
C. S. LINCOLN,
AMHERST WRIGHT, Jr.,
CHARLES CRARY,
JACOB B. CARPENTER,

May 16th, 1873.

Select Committee.

The following extract is from the speech of J. H. Rowell, made before the Farmers' Convention held at Bloomington, Ill., last January. Speaking of our railway system, Mr. Rowell said:

It has been a magnificent advance towards greater physical comfort and higher moral and mental culture for all the people. And so the railway system has become a permanence. We cannot abandon it if we would, we ought not if we could. It is a part of the world's wealth; like a great truth, it is every body's right to have and enjoy. But truth, sometimes, affords a splendid cover for falsehood. The more valuable a thing is, the more dangerous it becomes when its use is perverted. I know of nothing of which this can be said with more truth than of the railway system. Needed, imperatively demanded, we were so overjoyed at its coming that we neglected to shut the gate against its attendant evils, and these are crowding in so fast that our attempts to arrest them have thus far been attended with slight success. We have no quarrel with well regulated railroads. There ought to be no antagonism between us. They are the People's highway; by their aid we are all neighbors. Our war is with abuses. Let us examine some of them. There are in this State nominally \$254,000,000 invested in railroad property; no other single interest represents such an aggregate of wealth. All this immense sum is capable of being controlled and directed by a few individuals. On all questions where railroad interests conflict with the interest of the public, the influence of this wealth is a unit against the people. It is the organized, disciplined, and well equipped army, against the unorganized, unarmed, and unofficered militia. It employs great armies of men in operating the various lines of road. It is the best customer to the press; it controls the telegraph lines; has the readiest access to the public ear, and is the all-powerful abettor or the terrible foe to political aspirations; it pays the best price and calls to its aid the best financial ability of

the country; in every county town where a railroad line is located, it keeps in its employ the best legal ability. By means of its extensive connections, its reports, its perfect and systematic organization, it obtains more accurate information about the condition of the country than can be secured by any other interest. A railroad corporation is soulless, and yet immortal. Wiser than philosophy, it has found in a perpetual charter the elixir of life. When our fathers abolished the law of primogeniture they supposed the country was secured against the evils of vast individual wealth accumulating from generation to generation, because the certainty of death would bring certainty of destruction. But a perpetual charter, granted without consideration, has become a spindle to twist the gossamer thread across the chasm of death. All this vast and constantly augmenting wealth is under irresponsible control. A corporation can neither be hung nor sent to the penitentiary; that is to say, there is an entire absence of individual responsibility. Vigorous, alert, all-powerful and perpetual, it only needs unscrupulous managers to become a worse tyrant than Nero—a more dangerous master than Robespierre. Need I say to this Convention, that it is in the power of the Railroad Corporations unrestrained by law, to bankrupt the Northwest in less than three years.

The commerce of the country has already felt the evils of the concentration of wealth alluded to above. Throughout the year, but more especially at the season when the crops are moved, combinations are made by our railway autocrats which create an artificial stringency in our money markets which enables them to wring still another tax from the pockets of the commercial classes, and which in turn reacts upon producers and consumers throughout the land. Hon. Josiah Quincy, of Boston, in a speech made at the convention of Western producers, held in this city May 6th and 7th, fitly compared our railway kings to the robber barons of the middle ages, who took toll from all who passed their castles; but added, that "it was reserved for private citizens of the nineteenth century to devise a plan by which *all* the people of the country, far and near, whether they travelled or not, were compelled to pay tribute."

The foregoing are some of the causes which have brought this question so abruptly and prominently before the country and started the great movement at the West, which has already assumed so much prominence. That the West is fully aroused to the importance of the question is shown by the visit of delegates from their associations to this city for the purpose of forming a National organization and arousing the East to action. At that meeting, which was held at the Astor House May 6th and 7th, delegates were present from nine Western States. Many of these men had never seen each other, and it was evident that they did not know with whom to communicate to advance the interests of the cause in New York; but there was an earnestness about their every action which told of their de-

termination to do something, and, as a result, a creditable National organization was effected as a nucleus for further work.

Letters were received from Gov. John A. Dix, Gov. James H. Smith, of Georgia; Gov. C. C. Carpenter, of Iowa; Hon. William Windom, United States Senator from Minnesota; Hon. D. M. Du-boise, Georgia; J. B. Hawley, Illinois; A. H. Buckner, Missouri; B. W. Frobel, Georgia; John A. Kasson, Iowa; Charles Francis Adams; Hon. John Davis, President Farmers' Co-operative Union, Kansas; Geo. M. Stevens, Secretary of the Farmers' Association, Illinois; Hon. S. R. Moore, Illinois; Geo. W. Peek, Wisconsin; A. M. McKeel, Fairfax Grange Patrons' Husbandry, Iowa; N. F. Graves, Kansas, and others. Numerous telegrams were received from commercial, industrial, and manufacturing associations from all parts of the country approving of the call for the Convention and bidding it godspeed.

The following officers were elected for the ensuing year:

PRESIDENT—Hon. Josiah Quincy, Boston, Mass.

SECRETARY—R. H. Ferguson, Troy, New York.

TREASURER—F. B. Thurber, New York City.

VICE-PRESIDENTS—Lewis A. Thomas, Iowa; Henry Branson, Kansas; Gen. West, Wisconsin; W. M. Burwell, Louisiana; Gov. Smith, Georgia; J. A. Thomson, West Virginia; Adelbert Ames, Mississippi; George J. Post, New York; J. B. Phinney, Illinois; W. S. Wood, Ohio; E. O. Stannard, Missouri; J. H. Gray, District of Columbia; J. E. Stetson, New Jersey; F. C. Johnson, Indiana; A. Morrison, Minnesota; A. G. Dodge, Vermont; E. Wakeley, Nebraska; ex-Gov. Paddleford, Rhode Island; Gen. T. C. Hersey, Maine; J. B. Sargent, Connecticut; M. D. Wilbur, Michigan; J. M. McArthur, Kentucky; Daniel Pratt, Alabama; Henry G. Hall, North Carolina; Colonel Palmer, South Carolina.

A constitution and by-laws were reported and adopted. The constitution provides that the organization shall be known as the "The American Cheap Transportation Association," whose object shall be the cheapening and equalization of railroad transportation rates throughout the United States. It provides for a subordinate association in each State, and regulates minor matters for the guidance and government of the National and State Associations.

The Committee on Resolutions reported the following, which were adopted:

Whereas, The productive industries of the States plantation and farm, mine and

factory, commercial and mercantile—are not only the sources of all our national and individual wealth, but also the elements on which our very national and individual existence depends ; and

Whereas, All material products are the fruits of labor and capital, and as neither labor nor capital will continue actively employed without an equivalent measurably just ; and

Whereas, Great national industries are only sustained and prospered by the interchange of the products of one section of country for those of another; and

Whereas, The existing rates of transportation for the varied products of the Union, from one part of the country to another, and to foreign countries, as well as the transit cost of the commodities required in exchange, are, in many instances injurious, and to certain interests absolutely destructive, arising, in part, at least, from an insufficiency of avenues; and

Whereas, The great material want of the nation to-day is relief from the present rates of transit on American products; therefore,

Resolved, That the duty of the hour and the mission of this association is to obtain from Congress and the several State Legislature such legislation as may be necessary to control and limit by law, within proper constitutional and legitimate limits, the rates and charges of existing lines of transportation ; to increase, where practicable, the capacity of our present waterways, and to add such new avenues, both water and rail, as our immensely increased internal commerce demands; so that the producer may be fairly rewarded for his honest toil, the consumer have cheap products, and our almost limitless supplies find foreign markets at rates to compete with the world.

Resolved, That the cheap transportation, both of persons and property, being most conducive to the free movement of the people, and the widest interchange and consumption of the products of the different parts of the Union, is essential to the welfare and prosperity of the country.

Resolved, That the constant and frequent association of the inhabitants of remote parts of the United States is not only desirable but necessary for the maintenance of a homogeneous and harmonious population within the vast area of our territory.

Resolved, That the best interests of the different parts of the country also demand the freest possible interchange of the industrial products of the varied climates and industries of the United States, so that breadstuffs, textile fabrics, coal, lumber, iron sugar and various products, local in their production, but general in their consumption, may all reach the consumer at the least practicable cost of transportation; and that an arbitrary and unnecessary tax, levied by the transporter, over and above a fair remuneration for the investment, is a burden upon the producer and consumer that it is the part of wise statesmanship to remove.

Resolved, That certain leading railway corporations of the country, although chartered to subserve the public welfare, and endowed with the right of eminent domain, solely for that reason, have proved themselves practically monopolies, and become the tools of avaricious and unscrupulous capitalists, to be used to plunder the public, enrich themselves, and impoverish the country through which they run.

Resolved, That many of the railway corporations of the United States have not only disregarded the public convenience and property, but have oppressed the citizens, bribed our legislators, and defied our executives and judges; and stand to-day the most menacing danger to American liberty and to Republican government.

Resolved, That the present system of railway management, having failed to meet the just expectations and demands of a long-suffering people, must be radically reformed and controlled by the strong hand of law, both State and national, and railway corporations compelled to perform their proper functions as the servants and not the masters of the people.

Resolved, That to this end we invoke the aid of all fair-minded men in all States of the Union in expelling and excluding from the halls of legislation, from our executive offices, and from the Bench such railway officials, railway attorneys, or other hirelings as prostitute public office to the base uses of private gain.

Resolved, That leaving different section and interests that desire cheap transportation to work out the problem in such a manner as they may deem best, we earnestly invoke their careful consideration, their energetic action, and their resolute will in regulating and controlling the rates of transportation and giving remunerative wages to the producer and cheap products to the consumer untaxed by unearned charges for their carriage.

Resolved, That we invite the people of the various States to organize subsidiary associations—State, county and town—to co-operate with the national association; that the power to accomplish the purposes desired rests absolutely with the suffering millions; that relief is in their reach and control by united action, and the near future will give, as certain as its need for all time and the good of all, the true solution of the problem of cheap transportation.

THE OBJECT OF SUCH AN ASSOCIATION.

In pursuance of the spirit of the last resolution, it is proposed to organize in this city an auxiliary association from among the substantial merchants, who represent so large a portion of the commerce of the nation. When we reflect upon the immense sums paid by our merchants and their customers for transportation, and how inseparably our business interests are linked with this question, it is a matter of wonder that business men have not before formed an association to protect their interests against the compactly organized combinations which the railways have made, in order that they might dictate terms to shippers and receivers of freight.

We will premise that the general prosperity of the whole country means the prosperity of the great commercial city of New York, and when from any cause the producers of this country are unable to buy and pay for the articles we manufacture, import, or deal in, it means stagnation in trade and commerce, and a decline in the prosperity of our city. The same is true of ourselves when other cities of the seaboard can offer to interior merchants and consumers goods of equal quality and price, which by virtue of cheaper transportation facilities, can be delivered to remote sections of our great country for less money than the same goods would cost if purchased in New York; and that the latter is the case many of our merchants

know to their cost. Therefore we state the object of our association to be to advocate such principles and projects in connection with the subject of transportation as will tend in our judgment towards the prosperity of our country and city.

WHAT SUCH AN ASSOCIATION CAN ACCOMPLISH.

Our country is so vast and our system of transportation so immense, the abuses so many and so well intrenched, that any *local* association, even such a one as would represent the majority of the commercial wealth and influence of New York, would be powerless to accomplish a general reform. A majority of our legislators at this time are thought to be in the interest of the present monopolies, who rest secure in their ability to control legislation such as they may desire. But in this country the people are the fountainhead of power, and no abuse or system of abuses can withstand the organized power of a majority of the people to abate them. Probably nine tenths of the people of the United States are in some way producers or consumers, and their interests are antagonistic to the abuses of our present railway system. They have been quiet under these evils so long as they have, because the great natural resources of the country and her general prosperity enabled them to subsist without difficulty; but they have now awoke to the fact that when they granted sweeping privileges to railway corporations they opened the door to abuses which have grown so that to effectually abate them throughout the whole country will require the exercise of their united strength.

The result, however, will not be thought doubtful by any one who has noted the rapidity with which the work of organization throughout the country has progressed during the past few months, and it seems almost certain that Congress at its next session will be called upon to pass a general railway law designed to remedy the more flagrant abuses of the present system; and also the Government will undoubtedly be obliged to undertake a system of public works designed to furnish greater facilities for transportation between the East and the West.

THE QUESTION OF WHAT PROJECTS WILL BE UNDERTAKEN

is of great interest to every merchant, manufacturer, or real estate owner in this city. The Southwest is pushing the project of an improvement in the navigation of the Mississippi River, thus obtaining an outlet *via* New Orleans; a Congressional excursion party has

recently inspected this route, under the auspices of the city of St. Louis. A convention of Governors has been held at Atlanta to consider the advisability of a canal through Georgia to the port of Brunswick or Savannah. The middle section of the Western States are advocating a canal through Virginia uniting the waters of the Kanawha and James Rivers, while the Northwest is pushing a system of improvements, prominent among which are the Michigan Ship Canal and a canal around Niagara Falls. The project of a new canal through our own State, uniting the waters of Lake Champlain and the Hudson, was put forward in our last Legislature, but as it had not been sufficiently studied and considered was postponed until next session. All the above mentioned schemes are as yet only on paper, but Canada, in pursuance of a law passed by the last Dominion Parliament, is *at work* enlarging the Welland Canal, which as soon as completed will undoubtedly add largely to the considerable amount of trade she has already diverted from New York.

All of the above contemplate transportation by canal, but there are many practical and shrewd men who think that the relief we seek must come from developing and improving

OUR SYSTEM OF RAILWAYS.

As at present conducted, freight is carried over passenger roads, and all our calculations of the capacity of railways for freight purposes and the cost of such transportation have been based upon the result of such mixed traffic. When we reflect that freight trains are obliged to keep out of the way of passenger trains, and under favorable conditions cannot run more than one quarter of the time, we can see under what a disadvantage we labor. With a double track road exclusively for freight, goods can be laid down in Chicago, Cincinnati or St. Louis from New York in about three days, while the average time at present is about ten days, the saving in interest alone upon the immense value of goods constantly in transit would in a few years go far towards paying the cost of constructing such a road, to say nothing of the saving in the *expense*, estimated by good judges at *one-half* the present rates. If the delays, uncertainties and expense of the present system were thus modified, New York merchants could increase their business relations with the West to an almost unlimited extent; Western merchants could carry smaller stocks and do business upon less capital, and, indeed, such a road would be a financial safety valve to the whole country, because grain and other produce could be forwarded to the East at all seasons

instead of accumulating at the principal Western shipping ports during the Winter as it now does, tying up vast amounts of capital which, if liberated, could be kept in motion supplying the West with the manufactures of the East, and the East with the produce of the West. Our wise financiers who think there is a radical wrong in our present system of finance would do well to consider how far our transportation system is responsible for the stringencies and fluctuations in our money market. Every business man knows that a small capital often turned will do as much business as one double the size turned half as often.

In connection with this question the following estimate of the relative capacity of canals and railways devoted exclusively to freight, made by Hon. Josiah Quincy and published in a communication to the *Boston Advertiser*, may be of interest:

As you state in a recent editorial, I advocate the purchase of one line of railroad by the State for the purpose of reducing by competition the price of freights, even if it should lessen the profits of existing railroads. Without alluding to the particular case now before the Legislature, I wish to consider the question in a broad national point of view. There are between Boston and Chicago about seventy millions of watered stock, for which the shareholders never paid a cent, but on which they levy a tax of millions on the public in the shape of exorbitant fares. I do not believe that this state of things can be permanent, and think it the duty of our statesmen to endeavor to find a peaceful remedy. My remedy is the owning and control of one or more of the great thoroughfares of the country, either by the State or the United States.

The first great objection is the danger that corrupt men will influence our legislators for their own profit. Instead of an argument, I will take the case of the Erie Canal. Here is a thoroughfare, built, owned and managed by New York. By the constitution of the State, it can neither be sold or leased, but must be forever open to free use of any one who puts a boat upon it and pays the regular toll. What has been the corruption resulting from State ownership and management of this great property, when compared with what has resulted from the owners and managers of private incorporated railroads? Let the venal legislators of New York answer. As a financial operation it has been attended with complete success, the main Erie having paid for itself many times over. Governor Fenton, in one of his messages states:

"The Erie Canal has now, and has had since 1860, a tonnage-carrying capacity of four millions of tons in each direction, east and west, during an ordinary season of navigation of seven and one-half months. In arriving at these results I have assumed that this thoroughfare was, at all times, during the season of navigation, in proper order, the locks in good condition, constantly in a working state and promptly and efficiently attended by an adequate number of men. The above estimate is based on continuous work day and night, and employing the whole seven days in the week, according to the custom on that canal. Upon the same basis, but running through the whole twelve months, the railways would have the following capacity as compared with the Erie Canal, viz:

"Erie Canal, one and a half miles per hour, tonnage, 4,000,000 tons each way total tonnage capacity, 8,000,000.

"Railway, eight miles per hour and two miles space between the trains, 7,008,000 tons each way; total tonnage capacity, 14,016,000.

"Railway, ten miles per hour; space, two miles between trains, 8,760,000 tons each way; total tonnage capacity, 17,520,000.

"Railway, ten miles per hour; space, one mile between trains; 17,520,000 tons each way; total tonnage capacity, 35,040,000.

"Railway, eight miles per hour; space, one mile between trains; 14,016,000 tons each way; total tonnage capacity, 28,032,000.

"Railway, eight miles per hour; space, half mile between trains; 28,032,000 tons each way; total tonnage capacity, 56,064,000.

"Railway, ten miles per hour; space, half mile between trains; 35,040,000 tons each way; total tonnage capacity, 70,080,000.

"It is not difficult to perceive that on a rate of eight miles per hour, the speed at which lateral friction nearly ceases, a freight capacity four times that of the Erie canal can be achieved with entire success. It only remains to take care of the economic arrangements to accomplish the reduction of freights in an inverse ratio, somewhat corresponding to the increased capacity of the road."

So much for the comparative cheapness and facility of transportation by railways and canals. My own opinion is, that ultimately the United States, acting under the same authority by which they constructed the Cumberland road, will own the road-beds and stations of freight roads on all the great lines, and, like the Erie canal, throw them open under regulations as regards regular and moderate speed, to any person who wishes to put cars and locomotives upon them, paying, as on the canal, regular and fixed tolls for their use. With a double track there would be, on such roads, under such regulations (supplemented as they would be by the telegraphs) no danger of collisions, and as the cars would not have to go upon sidings to wait for express trains, their speed would be greater and the hour of their arrival more certain than at present, and there would be an end of complaints of shortages or excessive tariffs, as individuals and not corporations would be responsible.

This is a subject of vital importance to the people in every section of our country, and the people in my opinion will never consent permanently to pay dividends on millions of watered stock when they can, by paying interest on the actual cost of a road-bed, have the reduction of freights that must result from competition and from a free use of the facilities it affords.

JOSIAH QUINCY.

No matter how much we improve and increase our facilities for canal transportation, a large portion of the produce of the West, such as live stock, &c., as well as much of the manufactures of the East, must always be moved by rail, and it would seem that roads exclusively for freight are now a necessity. It is said that the New York Central, and also the Pennsylvania Railroad, are preparing to lay down a double track exclusively for freight; doubtless this would greatly increase their capacity, but it is also probable that Messrs. Vanderbilt and Scott will pocket most of the increased earnings, and that the people will get but a very slight abatement the charges now current on those roads. A freight road to be of

much benefit to the people must be built and owned (but not operated) by the Government.

Such a road built and owned by the National Government could not be forced into combination with the present monopolies as every private line has been which has promised competition and been built for that purpose, and when such a line had demonstrated at what price freight could actually be carried at a fair profit, the private monopolies would have to approximate their charges to those of the Government road. This road should be free to any corporation who would put rolling stock on it and operate it under a general railway law, charging rates not over 7 per cent on the *actual* capital invested. Under such a system New York merchants could have a line of their own; Boston, Philadelphia, Baltimore, Cincinnati, Chicago, St. Louis and all other principal cities and sections of country, whose interests justified, could without trouble, stock a transportation company and have their freight carried for cost. We were recently assured by the President of a company whose business is to build and let railway rolling stock to various railways and through freight lines, that such a road would be covered with rolling stock within a year from the time of its construction, and that additional roads would have to be built north and south to accommodate the increase of traffic. Railways are in accordance with the spirit of the times, and the quickness with which they can be built and the facility with which they are operated is improving every year.

An association such as the merchants of New York propose to form can, in connection with a constituency throughout the country, have much to say in regard to what projects shall be undertaken and so guide the movement, that unwise and unprofitable schemes will not be undertaken by Government, and the commercial interests of New York may be looked after and fostered.

It is the *abuses* of the present railway system, the inside "rings," the swindling management, the "Credit Mobilier" freight lines, and the watering of stock which make it necessary for railway companies to charge the price of four bushels of corn at the place of production to get *one* bushel to market, and we would here ask, what is the difference to the producer whether he loses three-quarters of the product of his labor by a failure in the crop, or whether it is absorbed by the above abuses? And of the commercial men of New York we would ask this question, what is the difference to you whether the crops fail so that you have none to export, or whether these abuses

raise the price at the seaboard so that the world cannot afford to buy them? In either case you do *not* do the business, but in the latter case some other city may—by providing facilities and avoiding the above-named evils—secure the commerce which you lose. Importing merchants, however, may say that the question does not interest *them*, because they do not export any produce, but we maintain that it *does* interest them, because if the producer does not get anything for his produce he will not be able to buy and pay for imported goods, be they ever so desirable and necessary.

It is not intended that this movement shall be a political one, any further than the present monopolies compel it to be. If our present legislators are controlled by the corporations to so great an extent that we cannot obtain relief, then we intend to have a voting constituency strong enough, so that corrupt legislators may be retired to private life and men put in their places, a majority of whom cannot be bribed to betray the interests of the people. It is essentially a people's movement, for it promises increased facilities for commerce, cheaper food for the people, a reform in public morals, and is a practical step towards civil service reform.

THE MORE IMMEDIATE RESULTS

Which an association of New York merchants can accomplish and which alone are of great value, are as follows: At present New York is competing for the Trade of the West, at a disadvantage, with Baltimore, Philadelphia and Boston, and the average rate from those cities to principal points West is from 15 to 25c. per 100 lbs. cheaper than from New York. The reason for this may be found in the fact that in Baltimore the Baltimore and Ohio Road is largely owned by Baltimore merchants and is operated in the interest of that city. In Philadelphia the same may be said of the Pennsylvania Central Railroad. In Boston the same is true in regard to the New England and Grand Trunk roads, while in New York, the great metropolis of the nation, the trunk lines to the West are owned by a clique of stock jobbers who have no possible interest in the commerce of the city beyond squeezing the largest possible amount from it that can be obtained, regardless of the fable of the Goose and the Golden Egg. It is a well known fact that during the past year large quantities of goods have been shipped from New York to the West *via Boston*. Such a state of things is anomalous, unjust and reflects but little credit upon the ability and enterprise of the merchants of New York. The combined influence of 500 or 1,000 prominent New York

houses can doubtless remedy the matter, and if no redress can be obtained in this way we ought, without difficulty, to control capital when combined with our Western connections to *build a Merchants' Road* to competing points West. It is not probable, however, that such a contingency will arise, because when we show our power we can obtain redress. The transportation companies have always had a combination, co-operating with each other for their mutual profit. Why should not the merchants do the same thing?

Such an association could also deal with the minor abuses, such as classifications, shortage, breakage, stealage, and the sudden and unlooked-for changes in freight tariffs which operate to prevent buyers from coming to this market, because his freight may be advanced fifty per cent in a single day. Careful attention to this part of our business will develop many advantages which are not at present noticed, but the great benefit to be derived will be in building up and holding our trade against other cities which have been diverting it.

New York has become a very expensive port of entry for importing merchants to bring their goods to. Our quarantine charges cooperage, lighterage, cartage, storage and labor are all higher than they should be, and it comes directly within the province of such an association as we propose to form, to deal with and modify or remove them.

GENERAL REFLECTIONS.

The question of transportation is one of great moment and must engross the attention of Statesmen, political economists and merchants for some time to come, and it is certainly worthy the attention of the best minds of our country. There are many important questions nearly allied to it such as the Tariff and the Labor question, both of which are likely to come to the front in the approaching contest. To deal with them judiciously, needs careful attention and consideration. To do this requires organization, and there is no time to lose in setting about it. It must not be left to the care of committees in existing trade bodies, but there must be an organization formed for that special object; it should combine the greater part of our mercantile wealth, character and ability, in an association commensurate with the magnitude and importance of the subject with which it is intended to grapple. That this can be done, and will be done as soon as our merchants glance at the situation seems a certainty.

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